



Journal of Economics and Business

Deyshappriya, N.P. Ravindra. (2019), Gender Gap in SME Ownership: Are Women Left Behind? Evidence from Sri Lanka. In: *Journal of Economics and Business*, Vol.2, No.3, 749-760.

ISSN 2615-3726

DOI: 10.31014/aior.1992.02.03.124

The online version of this article can be found at:
<https://www.asianinstituteofresearch.org/>

Published by:
The Asian Institute of Research

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Gender Gap in SME Ownership: Are Women Left Behind?

Evidence from Sri Lanka

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Abstract

The current study examines the gender gap in SME ownership and socio-economic factors which lead women to start Small and Medium Enterprises (SMEs) in Sri Lanka. The study conducted enterprise survey with 329 SME owners and also household survey which focused on 400 unemployed women in Uva and Central Provinces of Sri Lanka. The study found that there is a significant gender gap in ownership of SMEs across four districts in both provinces and this trend is more pronounced in the Nuwara Eliya district where only 20% of SMEs are owned by women. However, the gender gap in SME ownership is comparatively low in both the Monaragala and Badulla districts where 48.1% and 41.7% of SMEs are run by females. The econometric analysis reveal that factors such as marital status, age, number of children, having primary education, attached to a family with business background, easy access to Business Development Service (BDS) and owning required capital assets motivate womens' to start SMEs. Hence, the study recommends to expand the facilities related to BDS while providing capital requirements to get women involved with SMEs more efficiently.

Keywords: Small & Medium Enterprises (SMEs), Women Labour Force Participation, Gender Gap, Business Development Service (BDS), Enterprise Survey

1. Introduction

It has been repeatedly stated that Small and Medium Enterprises (SMEs) play a crucial role in economic development of any country through income and employment generation. SMEs generally outnumber large companies and create vast amounts of employment opportunities. Moreover, the potential of SMEs to reduce inequality, drive innovation and competition has been recognized. In Sri Lanka, as of 2014, SMEs which made up nearly 90% of enterprises (over one million SMEs), contributed 52% to the country's GDP and produced 45% of its employment (Ministry of Industry and Commerce, 2016).

Countries define SMEs based on different bases and dimensions and therefore different counties have different definitions of SMEs. In the United State of America (USA) definition of SMEs varies by industries such as

manufacturing, mining and trade. In contrast, Canada identified four types of SMEs considering the number of employees. Apart from that, China has considered number of employees, annual revenue and assets in defining SMEs. However, it is crucial to focus on Sri Lankan definition of SME as this study based on SMEs in Sri Lanka. Sri Lanka has also considered two dimensions such as number of employees and annual turnover in order to classify SMEs into micro, small and medium categories. Under the present SME policy framework in Sri Lanka, SMEs are defined based on the number of employees and annual turnover. In order to qualify as a SME, an enterprise must employ less than 300 people and generate an annual turnover less than LKR 750.0 million.

Female labour force participation is important for an economy for many reasons. One hand, it indicates proper utilization of labour in an economy, which essentially required to achieve expected growth potential of a country and on the other hand increased women labour force participation is a clear image of the economic empowerment of women. However, Sri Lanka's female labour force participation is significantly low compared to men. More specifically, as the Department of Census and Statistics of Sri Lanka highlights, out of total economic inactive population, 69% are female. Similarly, only 34% out of the total economically active population is female. This becomes particularly critical as the majority of Sri Lanka's population is female and also as the population begins to age, fewer working age individuals remain in the workforce (Attygalle et al., 2014). Moreover, as Attygalle et al. (2014) emphasizes increasing female labour force participation can be done in two ways: first is by attracting more women into the labour force as 'employees', and the second is by encouraging more women to be 'employers', i.e., become women entrepreneurs. In fact, most initial and easiest way of being an entrepreneur is the establishment of a SME. As National Human Resources and Employment Policy (2012) indicates, there is a huge gender gap in SME sector and most of the SMEs are owned by men while women-owned SMEs are significantly low. However, it is rare to find a systematic study that focuses on gender gap related SME ownership in the context of Sri Lanka. Hence, the current study attempts to examine aforementioned issue related to four districts (Badulla, Monaragala, Matale and Nuwara Eliya) in Uva and Central provinces in Sri Lanka. More specifically, the study aims to accomplish objectives such as (1) to recognize the available diversified enterprise option related to SMEs in four districts (2) to examine the gender gap in SME ownership in four districts and (3) to identify the socio-economic factors which influence womens' decision on starting up SMEs. The remainder of the paper is structured as follows. The next section critically evaluates the available literature related to the study. After that, the methodology employed to accomplish the research objectives are elaborated followed by results and discussion. Finally, conclusions and recommendations are highlighted along with list of references of the study.

2. Literature Review

According to Women's Unit UK (2001), traditionally entrepreneurship is the domain of businessmen. In most countries, the majority of businesses are not owned or managed by women. Indeed, less than one third of all businesses in Europe are led by females, despite the fact that women make up half the European population. However, Dzisi (2008) argued that women's entrepreneurship has increased over the past decade as the percentage of women in business has increased. The growth of women entrepreneurs is part of the societal changes that have occurred and are occurring all over the world in the late twentieth and early twenty-first century. Demographically, as the number of women in the workforce increases, the number of women in business and commencing business also increases. Increased independence for women, later marriage, decreased child bearing, increased education levels, and the increased desire for financial independence all contribute to the growth of women-owned businesses (Fielden & Davidson 2005). Many women would simply not have had the opportunity, education or social acceptance to enter into business thirty years ago. Today, business is an accepted career path for women; it is even favoured to some degree as it is seen to have the potential to offer flexibility and independence that typical employment does not. Over the past two decades, women have increased their labour force participation. Women entering into business ownership and self-employment have become a visible and important trend. However, literature reports limited information and statistics on female entrepreneurship. This is mainly due to the fact that in most countries and regions, official statistics relating to the gender of business owners do not exist, with most businesses categorized according to sector, location and size (Butler, 2003) and (OECD, 2004). This makes it extremely difficult to determine, with any degree of accuracy, the actual level of female entrepreneurship, and the variations between countries and regions.

According to the National Foundation of Women Business Owners (NFWBO, 2002), in the US the number of US women-owned firms increased by 14% nationwide during the period of 1997-2002. In fact, 14% was twice the rate of all firms between 1997 and 2002. Similarly, women employment increased by 30%, 1.5 times the US rate, and sales grew by 40%, the same rate as all firms in the US (NFWBO, 2002). These reports demonstrate that the women entrepreneurs in the United States are making a vital contribution to the economic development of their economy by wealth and job creation. In Canada, studies found that there are more than 700,000 women-owned firms providing 1.7 million jobs in the country. The Organization of Economic Co-operation and Development (OECD) in its 2004 report provided a current actual estimate of the economic impact of women's entrepreneurship in Canada. According to this report, the Canadian Prime Minister's Task Force on Women Entrepreneurs (2003) assembled statistics from Statistics Canada on women entrepreneurs. Their findings revealed that there are more than 821,000 Canadian women entrepreneurs and they contribute in excess of 18,109 million Canadian dollars to the economy annually. Also, between 1981 and 2001, the number of women entrepreneurs increased 208 percent, compared with a 38 percent increase for men. Coughlin (2002) reported that since 1990, women in Eastern Germany have created a third of the new enterprises, providing one million jobs and contributing 15 billion US dollars annually to the gross national product. The OECD (2004) further stated that there is a total of 1.03 million women-owned businesses in Germany. Hence, the rate of women entrepreneurs and their economic impact in Germany is quite similar to that in the United States and Canadian economies.

Similar findings are reported in Australia, United Kingdom and parts of Asia, with more women entrepreneurs setting up new businesses than men, and with lower failure rates (Brush et al. 2006; Coughlin 2002; Fielden & Davidson 2005; Kitching & Jackson 2002). For example, female participation in entrepreneurial activity in Australia rose sharply from 5.6 percent to 9.6 percent in 2003, and the proportion of female entrepreneurs to male entrepreneurs rose from 48 percent to 71 percent (Brush et al. 2006). Also, a report by the Observatory of European SMEs (2002) indicated that 22 percent of all 7,600 entrepreneurs (where the gender of the owner could be established) in their study of 19 countries were women, with Greece (14%), Austria (15%), the UK (16%) and Denmark (16%) having the lowest level of entrepreneurship. The report also showed that the Netherlands (27%), Luxembourg (27%) and France (30%) had the highest levels of women entrepreneurial activity. However, a Global Entrepreneurship Monitor (GEM) Report (2001) found that difference in entrepreneurship activity between men and women was not as significant in Italy, New Zealand and Spain. In these countries, women entrepreneurship rates were either two-thirds of or almost equal to that of men (GEM 2001). In the UK women are notably underrepresented among the self-employed, but there are significant differences between regions, with inner London showing the highest level of women entrepreneurs (36%), and West Yorkshire showing one of the lowest levels, with 19 percent (Women's Unit UK 2001). In examining other countries in Africa, Asia, Eastern Europe and Latin America, the OECD reported that women-owned businesses are growing rapidly (OECD 1998, 2004). For example, women produce more than 80 percent of food for sub-Saharan Africa, 60 percent for Asia, 29 percent for the Caribbean, 34 percent for North Africa and the Middle East, and more than 30 percent for Latin America (Woldie & Adersua, 2004). In many cases, Coughlin (2002) observed, these women do not only produce food but market it as well, giving them a well-developed knowledge of local markets and customers.

Despite women's engagement in the labour market increases over time, women are still left behind compared to men in terms of labour force participation and also related to starting up business such SMEs. Women seek entrepreneurship due to many reasons such as an idea innovation, unsatisfied employment status, willingness to have flexible working hours and also getting rid of persistent unemployment (Winn, 2005). According to the National University of Singapore, women in developing countries still run considerably fewer businesses compared to men, though the rate of new business formed by women outnumbered that of men in recent years. As the Department of Census and Statistics (2012) highlighted only 10% of women are employers out of total number of employers and this 10% is just 0.9% when considering total employed population in Sri Lanka. Similarly, it is revealed that SMEs led by women are only 10%, despite 80% of the national economy of Sri Lanka being driven by SMEs. (The Nation, 2013). Out of female SME owners, the majority of them engage in micro enterprises and also in the informal sector. Moreover, Consumer Finance Survey (Various years) highlighted that though most of rural women are linked with agriculture production activities, economic, social and cultural barriers limit their participation in agribusiness activities. Moreover, Vossenbergh (2013) indicated that difficulties such as lack of

access to financial resources, lack of access to information, inadequate training and guidance, legal barriers, lack of societal support, patriarchal value systems, gender based violence and inability to balance work-family workload restrict the women's' potential to become entrepreneurs. In fact, womens' lower engagement with SME can be commonly seen in Sri Lanka and however there only very few studies which focus on this issue. Mainly, Attygalle et al. (2014) is one key studies which examines female entrepreneurs and Business Development Services (BDS). Therefore, they haven't directly address the issue of gender gap in SME sector and women participation in SME sector. Hence, the current study aims to address this issue and provides more comprehensive understanding on gender gap in the SME sector while addressing the factors which influence women decision on owning SMEs.

3. Methodology

3.1 Data

3.1.1 Enterprise Survey and the Survey Focused on Unemployed Women

An enterprise survey was carried out to identify the types of SMEs in two provinces namely Uva and Central. The survey was conducted in both provinces covering four districts and 20 Divisional Secretariat (DS) divisions. In fact, 5 DS divisions per each district were selected and table 01 summarizes selection 329 SMEs as the sample for the enterprise survey. In addition to the enterprise survey, a survey which forced on unemployed women was also conducted to examine what factors drive women to start a SME. All together 400 of unemployed women who live in the same DS divisions were interviewed in order to collect the required data. Table 01 indicates the equal distribution of the sample among the DS divisions.

Table 1: Description of enterprise survey sample

District	No. of Divisional Secretariat Divisions	Number of SMEs	Number of Unemployed Women
Badulla	Haliela	18	20
	Meegahakiula	18	20
	Passara	15	20
	Ella	18	20
	Haputhale	15	20
Monaragala	Bibile	17	20
	Buttala	17	20
	Badalkumbura	16	20
	Monaragala	19	20
	Wellawaya	12	20
Matale	Rattota	18	20
	Matale	14	20
	Ukuwela	15	20
	Yatawatte	16	20
	Naula	16	20
Nuwara Eliya	Ambagamuwa	19	20
	Kotmale	16	20
	Walapane	23	20
	Hanguranketha	12	20
	Nuwara Eliya	15	20
Total no. of participants		329	400

Source: Author

Sample size of the enterprise survey (329) was determined in consultation with government officers related to SME development in each district, as they have better understanding on the distribution of SMEs across DS divisions. Two structured questionnaires which were administered by two groups of enumerators used for both surveys.

3.1.2 Focus Group Discussions (FGDs) and Key Informant Interviews (KIIs)

It is important to note that FGDs and KIIs are used as the key sources of qualitative data in this study. The main objectives of the FGDs and KIIs are to obtain comprehensive and in-depth understanding about the MSMEs in both provinces and also from key national level informants. Similarly, FGDs and KIIs provided a crucial platform for policy oriented recommendations.

Table 02: Number of FGDs and KIIs at district and national levels

Districts	FGDs	KIIs
Badulla	1	2
Monaragala	1	2
Matale	1	2
Nuwara Eliya	1	2

Source: Author

As table 02 indicates, altogether 4 FGDs were conducted at district level along with 2 KIIs per district. 2 KIIs at district levels include KIIs with one government sector officer and one private sector officer.

3.2. Analytical Methods and Techniques

3.2.1 Descriptive Analysis

Mainly, the descriptive analysis was applied to examine the characteristics of the sample and also to indicate disparity in ownership of SMEs by men and women. Thus, graphs, charts and table have been frequently used along with some direct quotations from the interviews and the desk review.

3.2.2 Econometric Analysis

Econometric analysis was used to recognize the socio-economic factors that influence womens' decision of owning a SME. As indicated in the section 03.1, 400 unemployed women were interviewed and asked whether they are willing to start a SME. Therefore, the econometric analysis was conducted to examine whether there is a certain relationship between their decision and their socio-economic factors. A regression equation which is indicated below was estimated based on the Probit Model.

$$y_i^* = x_i\beta + u_i \dots \dots \dots (01)$$

Where y^* is a discrete variable which can take 0 or 1 where;

1 = If respondent is willing to start a SME

0 = If respondent is not willing to start a SME

x_i is the vector of independent variables which includes independent variables such as marital status of the respondent, age, number of children, level of education, whether the respondent from business family, access to Business Development Services (BDS), whether the husband is employed and whether they the respondent has capital assets. The detailed explanation of the variables can be found from table 08 which indicates the results of the Probit Model.

4. Results and Discussion

4.1 District-wise current enterprise options and type of business

One of the main objectives of this study is to identify the diversified enterprise options available in the Uva and Central Provinces. Therefore, the enterprise survey conducted in four districts (Badulla, Monaragala, Matale and Nuwara Eliya) identified SMEs located in these districts. Table 03 summarizes the number (percentage) of currently available SMEs in four districts in terms of the size of the SMEs.

Table 3: Number (Percentage) of SMEs in four districts by size of SMEs

SME Size	Number of employees	Name of the district							
		Badulla		Matale		Monaragala		Nuwara Eliya	
Micro	1-10	78	(98.7%)	60	(80.0%)	71	(88.8%)	68	(87.2%)
Small	11-50	1	(1.3%)	15	(20.0%)	8	(10.0%)	10	(12.8%)
Medium	51-300	0	(0.0%)	0	(0.0%)	1	(1.3%)	0	(0.0%)

Source: Computed by author based on enterprise survey

As table 03 indicates, over 80% of SMEs surveyed in each district are performing at micro level. Particularly, Badulla accounts for the largest number (78) of micro level SMEs followed by Monaragala where 88.8% of SMEs are at micro level. In contrast, 20% of SMEs in Matale are Small level SMEs and in fact Matale has the largest number (15) of Small SMEs among all four districts. In addition to Matale, Nuwara Eliya and Monaragala also have Small level SMEs at 12.8% and 10% respectively. In contrast, Badulla as per the survey has only one Small scale SME. However, the survey was able to capture only one Medium scale SME which was in Monaragala.

Furthermore, table 04 indicates the distribution of SMEs in four districts across the main three economic sectors: agriculture, industry and service.

Table 4: Number (Percentage) of SMEs in four districts by size of SMEs and main sectors

	SME Size	SME Size						Total
		Micro		Small		Medium		
		Count	Percentage	Count	Percentage	Count	Percentage	
Badulla	Agriculture	25	32.0%	0	0.0%	0	0.0%	25
	Industry	44	56.4%	1	100.0%	0	0.0%	45
	Service	9	11.5%	0	0.0%	0	0.0%	9
Matale	Agriculture	12	20.0%	5	33.3%	0	0.0%	17
	Industry	48	80.0%	10	66.7%	0	0.0%	58
	Service	0	0.0%	0	0.0%	0	0.0%	0
Monaragala	Agriculture	15	21.1%	3	37.5%	0	0.0%	18
	Industry	51	71.8%	5	62.5%	1	100.0%	57
	Service	5	7.04%	0	0.0%	0	0.0%	5
Nuwara Eliya	Agriculture	24	35.3%	4	40.0%	0	0.0%	28
	Industry	37	54.4%	5	50.0%	0	0.0%	42
	Service	7	10.3%	1	10.0%	0	0.0%	8
Total		277		34		1		312

Source: Computed by author based on enterprise survey

It is interesting to note that SMEs in the industrial sector outnumber the SMEs in both agriculture and service sectors. 80% of Micro level SMEs surveyed in the Matale district are industry related and the percentages for Monaragala and Badulla districts are 71.8% and 56.4% respectively. A similar pattern can be seen for Small level SMEs as well. Agriculture sector accounts for the second largest share of SMEs in all four districts followed by the service sector. Nuwara Eliya has the largest share (35.3%) of agriculture based SMEs followed by 32% in Badulla. Service sector related SMEs, Badulla has the largest share (11.5%) followed by Nuwara Eliya (10.3%). It is apparent that most of the service related SMEs in both Badulla (Ella area) and Nuwara Eliya are attached to the tourism industry.

Table 05 disaggregates the SMEs into 10 types of business in the four districts. The enterprise survey interviewed 99 SME holders in the agriculture, farming and dairy industry and Nuwara Eliya accounts for the largest share (37.4%) of SMEs in this category, followed by Badulla (24.2%). Apart from that SMEs related to arts and craft are common in Matale and Matale accounts for 52.9% of total arts and craft SMEs. 57 of the SME holders interviewed were in Food and Beverages which formed the second largest type of business and the majority (33.3%) were in the Monaragala district followed by Matale and Nuwara Eliya. Similarly, apparel and bag production is also a significant business category in these districts mainly located in Matale (32.7%) and Monaragala (25.5%). As per the survey, a high proportion of hotels and homestays were located in the Badulla district accounting for 64.3% with Nuwara Eliya accounting for 28.6%.

Table 5: Number (Percentage) of SMEs by type of business in four districts

Type of Business	Badulla		Matale		Monaragala		Nuwara Eliya		Total	
	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage
Agriculture, farming and dairy	24	24.2	18	18.2	20	20.2	37	37.4	99	30.1
Arts and crafts	9	26.5	18	52.9	4	11.8	3	8.8	34	10.3
Apparel and bags	11	20	18	32.7	14	25.5	12	21.8	55	16.7
Auto parts and maintenance	1	12.5	0	0	4	50	3	37.5	8	2.4
Food and beverages	10	17.5	14	24.6	19	33.3	14	24.6	57	17.3
Hotels and Homestay	9	64.3	0	0	1	7.1	4	28.6	14	4.3
Cement and metalwork	9	37.5	4	16.7	8	33.3	3	12.5	24	7.3
Furniture	3	50	2	33.3	1	16.7	6	100	12	3.6
Salons and spas	2	28.6	1	14.3	1	14.3	3	42.9	7	2.1
Household items	0	0	4	57.1	3	42.9	0	0	7	2.1
Other	6	50	0	0	6	50	0	0	12	3.6
Total	84		79		81		85		329	

Source: Computed by author based on enterprise survey

In addition to these main business categories, cement and metalwork, furniture, salons and spas and household items are also recognized as common business types in these four districts.

4.2. Gender composition of SME holders

Figure 01 depicts the gender composition of SMEs in the four districts of Uva and Central provinces. On average, the number of female entrepreneurs are lower than that of males and this trend is more pronounced in the Nuwara Eliya district, where our survey only captured only 17 female-headed SMEs (20%) as against 68 SMEs run by

males. In fact, a majority of women in the Nuwara Eliya district is employed in the plantation sector, where there are only limited opportunities for them to become entrepreneurs. However, the gender gap in SME ownership is comparatively low in both the Monaragala and Badulla districts where 39 (48.1%) and 35 (41.7%) of SMEs are run by females.

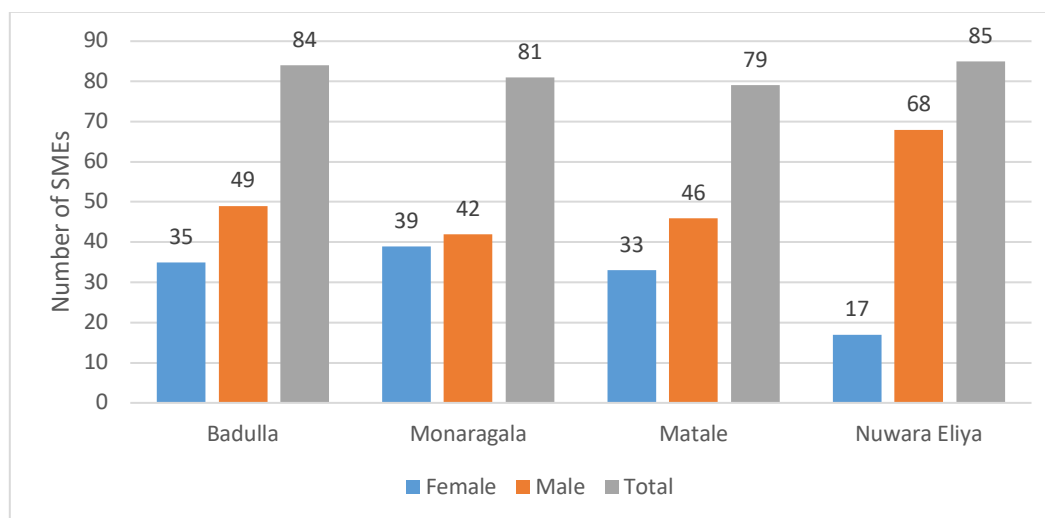


Figure 01: Gender composition of SMEs in four districts

Source: Created by author based on enterprise survey

Apart from that, table 06 summarises gender composition of SMEs in all four districts in terms of main sectors (Agriculture, Industry and Services) and size of SMEs (Micro, Small and Medium).

Table 6: Gender composition of SMEs by main sectors and size of SMEs

		SME Size					
		Micro		Small		Medium	
		Female	Male	Female	Male	Female	Male
Badulla	Agriculture	7 (28.0%)	18 (72.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)
	Industry	25 (56.8%)	19 (43.2%)	0 (0.0%)	1 (10.0%)	0 (0.0%)	0 (0.0%)
	Service	2 (22.2%)	7 (77.8%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)
Matale	Agriculture	5 (41.7%)	7 (58.3%)	2 (40.0%)	3 (60.0%)	0 (0.0%)	0 (0.0%)
	Industry	20 (42.6%)	27 (57.4%)	4 (40.0%)	6 (60.0%)	0 (0.0%)	0 (0.0%)
	Service	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)
Monaragala	Agriculture	8 (53.3%)	7 (46.7%)	2 (66.7%)	1 (33.3%)	0 (0.0%)	0 (0.0%)
	Industry	23 (45.1%)	28 (54.9%)	3 (60.0%)	2 (40.0%)	1 (100.0%)	0 (0.0%)
	Service	2 (40.0%)	3 (60.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)
Nuwara Eliya	Agriculture	1 (4.2%)	23 (95.8%)	0 (0.0%)	4 (100.0%)	0 (0.0%)	0 (0.0%)
	Industry	11 (29.7%)	26 (70.3%)	0 (0.0%)	5 (100.0%)	0 (0.0%)	0 (0.0%)
	Service	3 (42.9%)	4 (57.1%)	0 (0.0%)	1 (100.0%)	0 (0.0%)	0 (0.0%)

Source: Created by author based on enterprise survey

According to the table 06, in Badulla district, the majority of agriculture based SMEs (72.0%) are run by males while a majority of the industry based SMEs by females (56.8%). However, an opposite trend is seen in Monaragala where a majority of females operate agriculture based micro SMEs (53.3%), while a majority of industrial SMEs are run by males (54.9%). In contrast, the gender composition for SMEs in the Nuwara Eliya district is extremely male-skewed and a majority of SMEs in all three sectors (Agriculture, industry and service)

are owned by males while the proportion headed by females is very low. Moreover, as the table 06 indicates, SMEs in service sector is dominated by males in all four districts.

Table 7: Gender composition of SME by type of business

Type of Business	Sex				Total
	Female		Male		
Agriculture, farming and dairy	27	(27.3%)	72	(72.7%)	99
Arts and crafts	8	(23.5%)	26	(76.5%)	34
Apparel and bags	39	(70.9%)	16	(29.1%)	55
Auto parts and maintenance	1	(12.5%)	7	(87.5%)	8
Food and beverages	23	(40.4%)	34	(59.6%)	57
Hotels and Homestay	5	(35.7%)	9	(64.3%)	14
Cement and metalwork	9	(37.5%)	15	(62.5%)	24
Furniture	4	(33.3%)	8	(66.7%)	12
Salons and spas	2	(28.6%)	5	(71.4%)	7
Household items	4	(57.1%)	3	(42.9%)	7
Other	2	(16.7%)	10	(83.3%)	12
Total	124	(37.7%)	205	(62.3%)	329

Source: Created by author based on enterprise survey

Table 07 indicates that as per the survey findings, 62.3% of the businesses are run by males while only 37.7% are owned by females, thus showing a significant gender gap in the four districts. According to Department of Census and Statistics, in 2016 female labour force participation in Sri Lanka was only 35.9% with male participation amounting to a high of 75.1%. According to table 07, apparel and bag and household items are the only business types where women are in the fore accounting for 70.9% and 57.1% respectively.

4.3: Impact of socio-economic factors on womens' decision on owning a SME

This section attempts to recognize the socio-economic factors which influence womens' decision on owning a SME. Table 08 indicates the marginal effects of the estimated probit model. According to the table 08, married women have higher willingness to own SMEs compared to unmarried women. More specifically, the probability of owning a SME by married women is higher by 6.88% compared to unmarried women. In fact, unmarried women have less willingness to start businesses as they have are waiting for government or private sector employment. In contrast, married women face to various financial issues related to their household and in turn they may want to start a SME as an income source for their household. Similarly, age also positively and statistically significantly associates with womens' decision on owning a SME and it clearly indicates that older women tend to start SMEs compared to younger women. It is well-noticed that young women are very rare to start their own businesses as their first employment in the context of Sri Lanka. The main reason is they more care about job security in government and private sectors rather than taking the risk attached with SMEs or related businesses. Studies such as Sinha (1996), Fatoki & Odeyemi (2010) and, Welmilla *et al.* (2011) and Nguyen & Luu (2013) also observed such positive relationship between age and SME start up and development.

Apart from that, number of children in the household seems to be an obstacle for starting up a business and this relationship is statistically significant at 5% level. Mother's role is crucial in the context of Sri Lanka and having more children therefore increases the women workload at home. Hence, such women may not have sufficient time to think about a business rather than caring about childrens' nutrition and education. The study incorporated education levels such as no schooling, primary, secondary and tertiary and it is observed that only the primary level of education is statistically significant by 10% level. In fact, more educated women always search for permanent employment opportunities with higher wages and therefore have lower tendency for starting up a business. Charney & Libecap (2000) also observed that educational attainments only related to entrepreneurship promote people to start their own businesses.

Table 8: Impact of socio-economic factors on womens' decision on owning a SME

Variables	Coefficients
Marital Status of the Respondent (Unmarried)	
Married	0.0688** (2.43)
Number of Children	-0.187** (-2.49)
Age	0.0189** (2.73)
Education of the Respondent (No Schooling)	
Primary	0.0038 (0.18)
Secondary	0.0388* (1.67)
Tertiary	- 0.0105 (-0.54)
Business Background of the Family (Didn't Own a Business)	
Family owned a Business	0.139** (2.50)
Employment Status of the Husband (Unemployed)	
Employed	- 0.0340 (-0.82)
Nature of Access to BDS (No Access to BDS)	
Have Access to BDS	0.009* (1.80)
Nature of Owning Capital Assets (Don't Own Capital Assets)	
Own Capital Assets	0.0550** (2.20)
Number of Observations	400
Prob> Chi ²	0.0141
Pseudo R ²	0.0213

Source: Calculated by author based on household survey

The current study clearly observed that women whose parents owned a business have higher readiness to start a SME compared to those who are from a non-business family. The finding is in line with the findings of De Mel *et al.* (2008). Especially, the women who are from business families have experiences related to their business and also they have positive attitudes towards starting up a new business along with risk taking abilities. Moreover, such families provide higher level of supports for their children to be entrepreneurs.

Business Development Services (BDS) provide crucial support for entrepreneurs from the planning stage to till growing their business up to large scale. The assistances provided by BDS particularly such as technical skills and knowledge, market information and opportunities and linking with relevant stakeholders are vital for entrepreneurs. Therefore, having access to BDS can be considered as one of the key factors that influences womens' decision on owning a SME. As table 08 indicates, the current study also confirms the importance of having access to BDS. More particularly, the probability of owning a SME by the women who have better access to BDS is higher by 0.9% compared to the women who don't have access to BDS and the estimated relationship is statistically significant at 10% level. Scholars such as Abeyratne & Ranasinghe (2004), Abeyratne (2006) and Attygalle *et al.* (2014) also confirm that BDS plays a crucial role in developing start-up business. However, their findings were based on SMEs in general rather than focusing on women-owned SMEs. Apart from that, the results also highlights that owning capital assets such as place to start a business, initial capital and equipment and machineries related to SME also important for women when they are going to take decision on starting a business.

In fact, the readiness of starting a business of women who have such capital assets is higher by 5.5% compared to the women who don't own such assets. Importance of capital assets is also highlighted by De Mel *et al.* (2008) and Attygalle *et al.* (2014) in the context of Sri Lanka.

5. Conclusion and Recommendation

The current study mainly examines the gender disparity in SME ownership in Uva and Central Provinces in Sri Lanka while recognizing the socio-economic factors which lead women to start SMEs. The study found that there is a significant gender gap in ownership of SMEs across four districts in both provinces. The results of the enterprise survey highlights that over 80% of SMEs surveyed in each district are performing at micro level. Particularly, Badulla accounts for the largest share of (98.7%) of micro level SMEs followed by Monaragala where 88.8% of SMEs are at micro level. In contrast, Matale and Nuwara Eliya have the lowest share of micro level SMEs. Apart from that, it is noted that SMEs in the industrial sector outnumber the SMEs in both agriculture and service sectors. Especially, Matale district accounts for the largest share of industrial related micro-SMEs followed by Monaragala and Badulla. In contrast, service related SMEs can be commonly seen in both Badulla (Ella area) and Nuwara Eliya as these areas are popular as tourism destinations. The study recognized 10 main business types in four districts and examined that majority of SMEs fall into the category of Agriculture, Farming and Dairy Industry while the categories such as Salons and Spas and Household Items reported as the lowest. Moreover, 62.3% of the businesses are run by males while only 37.7% are owned by females, thus showing a significant gender gap in the four districts.

The study recognized that the number of female entrepreneurs are lower than that of males and this trend is more pronounced in the Nuwara Eliya district where only 20% of SMEs are owned by women. However, the gender gap in SME ownership is comparatively low in both the Monaragala and Badulla districts where 48.1% and 41.7% of SMEs are run by females. Considering the main sectors, the majority of agriculture based SMEs in Badulla and the majority of industrial related SMEs in Monaragala are owned by males while womens' ownership is significantly lower. Similarly, the gender composition for SMEs in the Nuwara Eliya district is extremely male-skewed and a majority of SMEs in all three sectors (Agriculture, industry and service) are owned by males while the proportion headed by females is very low. The econometric analysis based on the household survey examines the impact of socio-economic factors on womens' decision on owning a SME. The results reveal that the readiness to start a business of both married and older women are significantly higher than that of both unmarried and younger women. However, the probability of intention to own a SME decreases with the increase of number of children in household. Apart from that, the Probit model recognizes that factors such as having primary education, attached to a family with business background, easy access to BDS and owning required capital assets essentially motivate womens' to start SMEs. The study emphasizes the requirement of encouraging female entrepreneurs in order to strengthen the household economy while contributing national economy as well. On this regard, it is crucial to provide them BDS along with capital requirements which are required to start up SMEs. Similarly, there should be a proper mechanism to educate women through BDS on how to balance work-family life and in turn they will be able to engage with their own business more effectively. Moreover, education which enriched with entrepreneurial skills is also vital to develop more women entrepreneurs who can own successful SMEs.

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